

CONNACHER OIL TAPS GOLD MINE WITH LOW-COST APPROACH

By Jo Dee Black

Connacher Oil Co. was formed in 2001, when the former Justinian Oil was restructured and renamed. Connacher Oil trades on the Toronto Stock Exchange under the symbol CLL.

The company has 170 employees, with 97 of those employed in Great Falls at the Montana Refining Co., which was purchased by Connacher in 2006. It is the closest U.S. oil refinery to the oil sands in Alberta.

Connacher's Great Divide Oil Sands Project includes 95,000 acres of leases in the oil sands in northern Alberta, near Fort McMurray.

The company also owns some natural gas production and 26 percent of Petrolifera Petroleum Limited, an oil and gas company with assets in Argentina, Peru and Columbia.

The company's 2006 annual report states that its business strategy is to create models that are sustainable, repeatable and expandable.

Connacher's oil sand leases are estimated to contain up to 800 million barrels of oil, a reserve expected to take 25 years to extract.

The company's first drilling facility in its Great Divide Oil Sands Project, Pod One, took about 300 days to complete and has been producing oil ever since, according to the company's third quarter report. The project is located near a highway, which allowed Connacher to use a modular construction approach.

Key parts were pre-ordered, constructed off site, then transported to the Great Divide Oil Sands Project via the highway. The approach took less time than on-site construction and cut the window between capital spending for equipment and revenue production.

The same approach will be used for construction of additional pods.

Connacher uses a steam-assisted gravity drainage system to extract bitumen from the oil sands. Bitumen is a heavy oil that is too thick to flow into a well unless it is heated.

Two horizontal wells are drilled, one over the top of the other. Steam is injected into the top well and the oil then flows to the bottom well.

Connacher's earnings during the third quarter of 2007 were \$14.59 million, compared with earnings of \$6.7 million during the same quarter in 2006, a 115 percent increase.

During the first nine months of 2007, Connacher's earnings were \$41.8 million, compared with \$3.68 million during the first nine months of 2006, a 1,034 percent increase.